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SUBJECT: UKRAINE Q1 GDP FALLS 20.3 PERCENT

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¶1. (SBU) The Ukrainian State Statistics Committee published official 2009 macroeconomic figures on June 30. The first quarter data, which had been withheld for weeks by the government of Prime Minister Yulia Tymoshenko, revealed a 20.3 percent contraction in GDP and a sharp fall in key sectors of the economy. The GOU released its figures to correspond with the June 30 arrival of IMF mission head Ceyla Pazarbasioglu, who is in Kyiv to negotiate terms for disbursing the Fund's third loan tranche. The IMF had been critical of Tymoshenko's refusal to reveal official economic statistics for the first quarter, saying that it could not accurately forecast annual GDP or the 2009 fiscal deficit. The GOU had not released economic figures since it gave up monthly GDP reporting in February.

¶2. (SBU) With the GDP plunge of 20.3 percent year-on-year (y/y) in the first quarter of 2009, Ukraine suffered the worst economic contraction in the Central and Eastern European region. The figure was in the range of what many private and official analysts had expected. The Presidential Secretariat, the National Bank, and the State Accounting Chamber had all recently come forward with estimations ranging from 20 to 23 percent first quarter GDP decline (y/y). The contraction in the first quarter was measured against the still robust first quarter growth of 2008. Annualized GDP growth fell significantly during the course of 2008. Hence most analysts expect GDP to contract by anywhere from 10 to 15 percent in 2009 on account of the base effect in the data. Before the most recent data were published, the IMF and World Bank had confided to us that they had already begun revising their 2009 GDP forecasts and were expecting a roughly 12 percent contraction, although officially they were still projecting an 8 and 9 percent drop in GDP, respectively.

¶3. (U) The construction sector was the hardest hit, falling 54.1 percent in the first quarter (y/y), followed by the processing industry (36.5 percent decline) and utility services (19.3 percent decline). Agriculture was the only sector that escaped a decline, having gained 1.3 percent in the first quarter (y/y). Household consumption fell 11.6 percent (y/y). Previously released figures had indicated that industrial output had declined by 32 percent for the first quarter (y/y), including a 39.7 percent fall in the chemical sector and a 43 percent drop in metallurgy.

¶4. (U) State Statistics Committee figures on unemployment also showed significant negative trends for 2009. The unemployment rate (using the International Labor Organization's methodology) for the first quarter stood at 10.3 percent for those of working age, compared to 7.6 percent for the same period in 2008. Unemployment had hit a low of 6.5 percent in the third quarter of 2008, just before the effects of the economic crisis began to reach Ukraine.

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